

WORKERS COMPENSATION BOARD OF INDIANA

**SECOND INJURY FUND
CALCULATION OF FUNDING LEVEL**

December 8, 2008

Please note the assessment can be paid in two installments.

The due dates are:

Jan 31, 2009

June 15, 2009



STATE OF INDIANA

MITCHELL E. DANIELS, JR., Governor

Linda Peterson Hamilton, Chairman

WORKERS COMPENSATION BOARD

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SECOND INJURY FUND REPORT **AND ASSESSMENT FOR 2009**

December 7th, 2008

Greetings from the Board!

I would like to tell you that all things are rosy and bright with the Second Injury Fund. I can't go *quite* that far, but I can tell you that it doesn't need a bailout to stay afloat and that it will meet its obligations in 2008 without having touched the prudent reserve created this year. Included in the report are the numbers provided by the ICRB and self-insured factors taken from renewal applications for 2006 and 2007 along with historical data of payouts. The assets in the Fund on November 1, 2008 were less than 135% of the payout in 2007, and thus an assessment is appropriate for 2009 in accordance with IC 22-3-3-13 (c)(2).

The cost of prosthetics this year has been higher than projected. Historically, the Fund has seen cyclical jumps in the cost of prosthetics, as they have an average lifespan of three years. In 2007, the Fund paid out more than twice what it did in 2006. We predicted a cost for replacing prosthetics in 2008 of roughly \$330,000. Because of the trend we are seeing in the cost of prosthetics, we used the average of the previous 4 years' replacement figures in calculating the 2009 assessment.

Both the technical development, and thus the cost, of prosthetics have been escalating at a remarkable rate. The Act is not specific as to the standard to be used in choosing a replacement limb for an injured worker. Most likely, there have been improvements to the item since it was last replaced. We will continue to aim toward the "Chevy" model in choosing the new unit; not the moped or the

Mercedes. For the last several years, we have worked almost exclusively with Modern Medical, but we will be doing some comparison shopping in 2009.

The average monthly cost of prosthetics is also included in the calculation of the 3 month prudent reserve for 2009. Nothing was factored in for prosthetics in the 2008 reserve figure.

The first of five installments of the Fund's loan repayment to the Board's Supplemental Fund occurred at the end of 2007. We have not withdrawn the 2008 installment, or the administrative expenses for 2007 or 2008, due to a conflict created by the language of IC 22-3-3-13(g) which states funds shall be used only for the "payment of awards of compensation ordered by the board..." Once this language has been amended, these reimbursements will be paid to the Board.

Payments will be due on January 31st and June 15th if you choose to use the installment option. Remember the 10% penalty set out at IC 22-3-3-13 (c)(2) for late payments and that no reminder will be sent before the due date in June.

Take care and please call me or Mary Taivalkoski if you have questions regarding the assessment or report.

Yours Very Truly,

Linda Peterson Hamilton

2nd INJURY FUND REPORT

November 30, 2008

Expenditures as of 6/28/08	2,098,437.16
Balance as of 6/28/08	2,957,065.31
Actual Balance of Fund at Nov 1st 2008	1,707,347.79
Actual Balance as of Nov 30	1,400,934.47
December Indemnity Payments	306,413.34
Projected Balance of Fund at Dec 31 st 2008	1,094,521.13
Loan Repayment	(192,400.00)
Administrative Fees 2007	(42,000.00)
Administrative Fees 2008	(42,000.00)
Credit Against 2009 Assessment	818,121.13

2009 Assessment Factors

Indemnity (3 months indemnity)	925,000.00
Prosthetics (3 month avg. expense)	90,611.00
Total Prudent Reserve	1,015,612.00
Estimated Expenditures	
Indemnity	3,675,907.00
Prosthetics	483,548.00
Recommended Assessment	4,356,946.00

Reported and Historical Data Utilized in Assessment of Fund

Reported by ICRB for 2007:

Total Losses Paid	418,292,000
Total Premiums Written	796,025,000

Reported by ICRB for 2006

Total Losses Paid	395,044,000
Total Premiums Written	822,627,000

Self-Insured Factors 2007:

Total Indemnity Paid	18,136,827
Total Medical Paid	43,407,436
Total Self-Insured Losses Paid	61,544,263

Self- Insured Factors 2006:

Total Indemnity Paid	20,558,814.19
Total Medical Paid	33,304,025.91
Total Self-Insured Losses Paid	53,862,840.10

Total Expenditures Reported By the WCB

Jan/Nov 2008 Prosthetics Indemnity	483,547.72 3,369,493.84
Jan/Dec 2007 Prosthetics Indemnity	539,340.26 3,539,032.20
Jan/Dec 2006 Prosthetics Indemnity	246,604.01 3,432,705.28
Jan/Dec 2005 Prosthetics Indemnity	276,835.78 3,185,737.86
Jan/Dec 2004 Prosthetics Indemnity	139,710.18 2,900,396.86
Jan/Dec 2003 Prosthetics Indemnity	229,764.64 2,592,605.72